

A tourism industry plan to grow Montana's economy and preserve our heritage

Recognizing the importance of the tourism industry to Montana's economy, dozens of tourism, cultural, historic and recreational entities from across Montana have created a plan to strengthen and reinvest in the future of this industry for the benefit of all Montanans.

Senate Bill 264 is an industry-led effort to grow Montana's economy and preserve Montana's historical and cultural heritage. The bill is sponsored by **Senator Bob Keenan** (R), Senate District 5 from Bigfork.

The "Best Place First" bill would appropriate **60%** of the Accommodations Sales & Use Tax (3%) and the Rental Vehicle Sales & Use Tax (4%).

30% of the appropriated funds would be allocated for the preservation, protection and enhancement of the tourism industry's partners and their infrastructure.

- MT State Parks (9.72%)
- MT Historical Society (7.2%)
- MT Heritage Commission (3.48%)
- MT Arts Council (7.08%)
- MT heritage & historic properties (2.52%)

The other 30% of these appropriated funds would strengthen current marketing efforts of the Montana Office of Tourism, Montana's six tourism regions and 15 convention and visitor bureaus statewide which face increases in competition and marketing costs as the U.S. economy improves.

- Department of Commerce Office of Tourism (22.5%)
- Regions/Convention and Visitor Bureaus (7.5%)

The remaining **40%** would continue to go directly to the state general fund as it has since 2003.

With proven returns on investment in state tax revenue of greater than 2-to-1 for every marketing dollar spent, the bill's distribution formula is designed to be revenue neutral, acting like a revolving line of credit. It would create enduring benefits for Montana's economy, our visitors' experience and the quality of life for all Montanans.

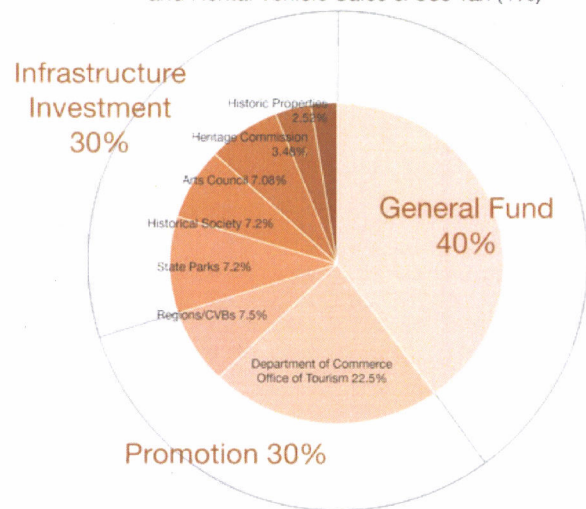
BACKGROUND

With the passage of Senate Bill 407 in 2003, the 58th Montana Legislature reduced the state's highest individual income tax rate from over 11% to 6.9% and created a capital gains credit.

"The Montana Economic Development Tax Act" (SB 407) funded this effort largely through the creation of the Accommodations Sales & Use Tax and the Rental Vehicle Sales & Use Tax. Though SB 407 benefited all Montanans, the burden to replace lost tax revenues fell to a relative few in the business community. In 2014, less than 13% of total non-resident spending contributed to these tax revenues.

The tourism industry believes SB 407 has generated revenue well beyond its original intended purpose and the resulting surplus revenues should be reinvested in a manner that will grow Montana's economy and preserve our state's historical and cultural heritage.

Best Place First (SB 264) Funding
Source: Accommodations Sales & Use Tax (3%)
and Rental Vehicle Sales & Use Tax (4%)



WHY TOURISM MARKETING EFFORTS NEED TO BE ENHANCED

Every major economic indicator, including projected increases in gross domestic product, consumer confidence and discretionary spending suggest that the national economy will grow at a much faster rate than recent years. With the rapid fall in gas prices since late 2014, many believe this rapid economic growth is an almost certainty.

But as the economy improves, competition among state destinations will increase and drive up marketing costs. A growing economy, though positive, may challenge Montana to maintain its current domestic market share and will likely prevent expansion into new, more lucrative domestic markets or in developing overseas market share.

Montana's spending on tourism promotion ranks it in the middle third among all 50 states. If the nearly \$4 million that is diverted annually from the state's sole-source of tourism promotion funding was replaced, Montana would rank among the nation's Top 10 state destinations. Senate Bill 264 could, in large part, accomplish this in the first two years.

WHAT DO YOU MEAN BY "TOURISM PRODUCT"?

Tourism leaders believe SB 264 will not only have an enduring impact on the state's cultural and historical places cherished by Montanans, but also broaden Montana's tourism product with high-quality opportunities for visitors to "go where the locals go."

Increased promotion of Montana as a destination will grow consumer demand, in turn fostering business and entrepreneurial investment in the state's tourism infrastructure, ultimately growing visitorship beyond the seasonal summer months and outside the state's western and southern central regions.

Our state parks, historic sites and centers of culture & arts are first and foremost resident-driven products that enhance the Montana lifestyle and point of pride for all Montanans.

These important elements of Montana's tourism brand are a result of decades of passionate effort by many Montanans and deserve a reliable source of funding for the future.

HOW THIS INITIATIVE BENEFITS THE AVERAGE MONTANAN

Senate Bill 264 will directly benefit all Montanans by addressing funding shortfalls in state parks, historic preservation, heritage commission properties, the arts and local historic properties statewide. This would not only improve these special places for all Montanans but also increase visitor spending in local communities.

In 2014, non-resident spending reduced the average tax burden for each Montana household by over \$650 and supported one of every nine Montana jobs. Nearly 39% of total non-resident spending contributed directly to wages and compensation.

Ultimately, SB 264 would help grow Montana tourism beyond its traditional seasonal and regional "boundaries" and significantly broaden the enduring benefits for jobs, wages, state and local tax revenues and communities statewide.

HOW WILL THE MONIES BE REPLACED?

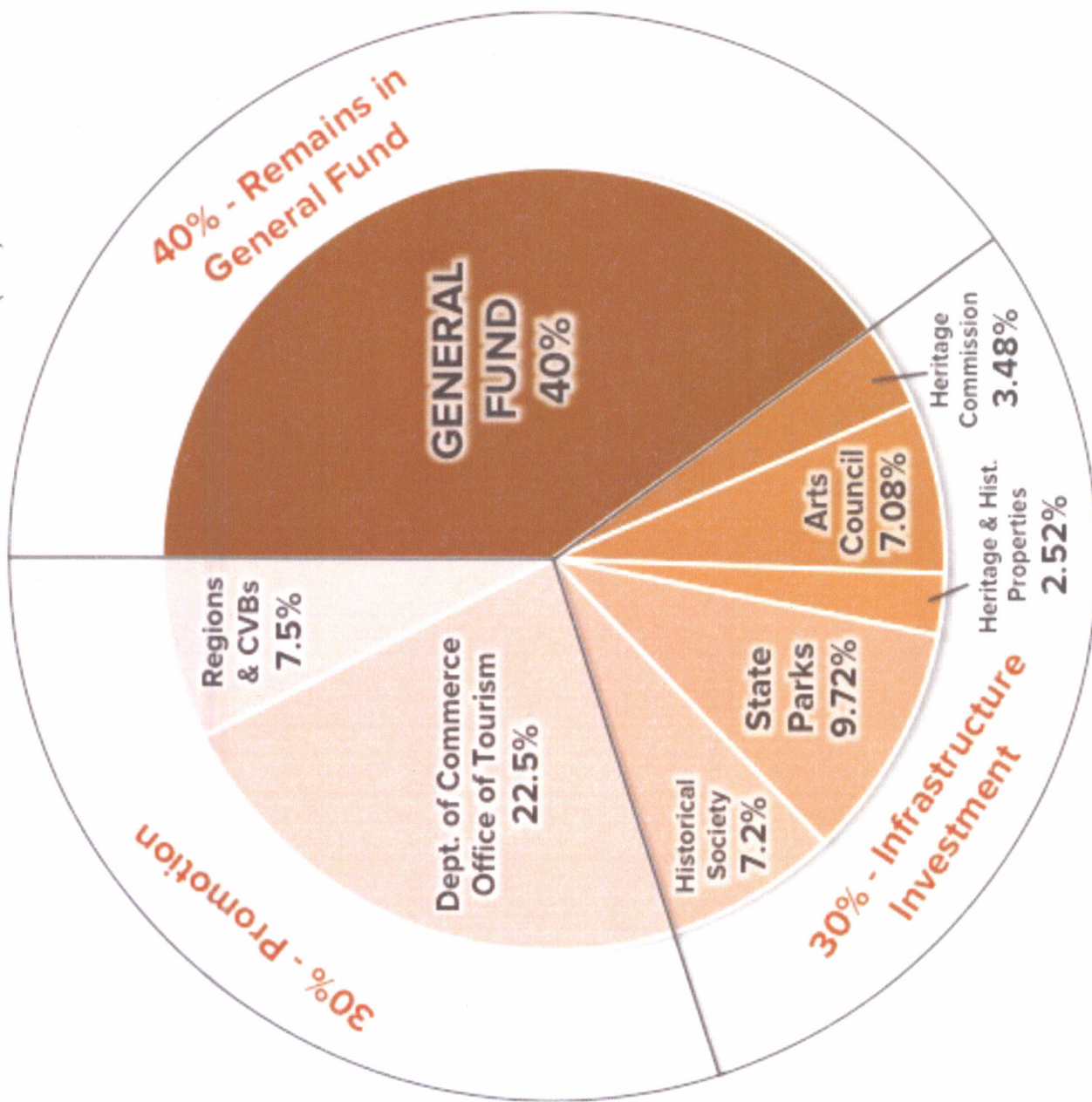
Montana's travel promotion efforts have generated a minimum return of \$2 in state tax revenue for every \$1 spent on marketing since 2004. The funding structure for SB 264, 30% to promotion, 30% to infrastructure investment and 40% to the general fund, ensures the bill is revenue neutral, acting as a line of credit.

JOIN US/MORE INFO

Help us grow Montana's economy and preserve Montana's cultural and historical heritage. To get involved, contact Tourism Matters to Montana on Facebook or online at www.tourismmattersmt.org. Learn more about tourism's broad economic benefits at www.voicesofmontanaturism.com.

Best Place First (SB 264) Funding

Source: Accommodations Sales & Use Tax (3%)
and Rental Vehicle Sales & Use Tax (4%)



Growing Montana's economy and preserving our heritage

By Racene Friede and Mike Scholz, Guest Columnists

Posted: Wednesday, February 18, 2015 12:00 am

A December report from the University of Montana's Institute for Tourism and Recreation Research concluded that 2014 was another incredible year for tourism in our state.

Nearly 11 million non-residents spent \$3.98 billion in Montana last year, a nearly 10 percent increase over 2013. Visitor spending contributed over \$270 million in total state and local taxes in 2014, a 17 percent increase over the previous year.

But even more impressive is the rate at which visitors to the state and their spending has grown. Since 2010, non-resident spending has increased by more than 52 percent but total annual visitors have increased by less than 6 percent.

That doesn't happen by accident. It takes innovative and inspirational marketing that uses the latest research to identify potential high-spend travelers in the markets where Montana can afford to compete.

Visitor spending has also had an encouraging impact on jobs. Since 2013, the number of tourism jobs increased by more than 15 percent. Almost 39 percent of the \$3.98 billion spent by nonresidents went directly for wages, compensation and other income.

Tourism provides job opportunities in many areas of the economy from entry level to professional and managerial to entrepreneurial. The days of tourism being dismissed as an industry made up entirely of "low-paying jobs" are long gone.

AN IMPROVING ECONOMY PROVIDES OPPORTUNITY

The U.S. economy is expected to experience significant growth through 2017. This is primarily fueled by gross domestic product growth, increased consumer confidence, and more discretionary income among U.S. consumers. Considering the steep fall in gas prices recently, this growth seems an almost certainty.

During a time of economic expansion, domestic and international inbound travel generally expands. Since 2004, the travel industry has outpaced overall GDP during expansions and contracted more than overall GDP during downturns.

In 2013, over 80 percent of non-resident visitors to our state were from the U.S. First and foremost, the state must maintain its current domestic market share or risk a significant drop in overall non-resident spending and tax revenues. That will cost more to accomplish as the economy improves and advertising costs increase.

As more travelers consider adding Montana to their bucket list, now is the best time to explore opportunities to expand into those markets with major air service hubs where the Montana brand is relatively unknown and direct flights to our airports are seasonal or non-existent.

As travel expands with the economy, Montana's brand needs to not only be visible but competitive in the markets where Montana has direct flight connections. Increased air travel to the state helps many of Montana's airports continue to make the argument for expanded, year-round air service to the state benefiting both residents and businesses.

BEST PLACE FIRST

Montana's tourism leaders have long been concerned about preserving Montana's cultural, historical and recreational heritage and growing our state's economy. SB-284, "Best Place First" is a bill sponsored by Sen. Bob Keenan from Bigfork that works to achieve both goals.

The bill proposes to appropriate 60 percent of the annual sales and use tax revenues from accommodations and rental vehicles.

Half of these appropriated funds would be invested in the infrastructure of tourism's partners (State Parks, Historical Society, Heritage Commission, Arts Council, and a statewide heritage and historic properties grant) for their preservation, protection, and enhancement.

The other half would strengthen current marketing efforts of the Office of Tourism, Montana's six travel regions and 15 visitors bureaus statewide which face a significant increase in competition and marketing costs as the U.S. economy improves.

The remaining 40 percent would remain in the state general fund as it has since 2003.

With proven returns on investment in state tax revenue of greater than 2-to-1 for every marketing dollar spent, this bill's distribution formula is designed to be revenue neutral acting like a revolving line of credit. Last year alone, increased non-resident tourism spending put an additional \$40 million into state and local tax coffers.

This bill would make a meaningful annual investment in our state's cherished places and the Montana brand with enduring benefits for Montana's economy, our visitors' experience, and the overall quality of life for all Montanans.

Racene Friede is currently the executive director of Glacier Country Regional Tourism Commission, one of the six Montana travel regions.

Mike Scholz has worked in the Montana tourism industry for more than 40 years. A former owner of Buck's T-4 Lodge in Big Sky, he currently represents the Gallatin Gateway on the governor's Tourism Key Industry Network committee for the Main Street Montana Project.

Voices of Montana Tourism serves as a united voice for Montana's tourism stakeholders. Since its creation in 2011, Voices has led the effort to increase support and appreciation among elected state & federal leaders, policy influencers, and the general public by ***educating, communicating, and shaping perceptions of tourism.*** No lodging tax funds are used to support Voices of Montana Tourism.

Tourism

is one of Montana's leading industries!! In 2014*, nearly **11 million** visitors:

- spent **\$3.98 billion** (↑9.8% over 2013)
- directly supported **38,800 jobs** statewide (↑15% over 2013)
- generated **\$276 million** in state & local taxes (↑17% over 2013)
- Lowered taxes on each Montana household by over **\$650** (↑20% over 2013)

* Data based on preliminary report published Dec. 2014 by Institute for Tourism and Recreation Research

Want to support Voices?

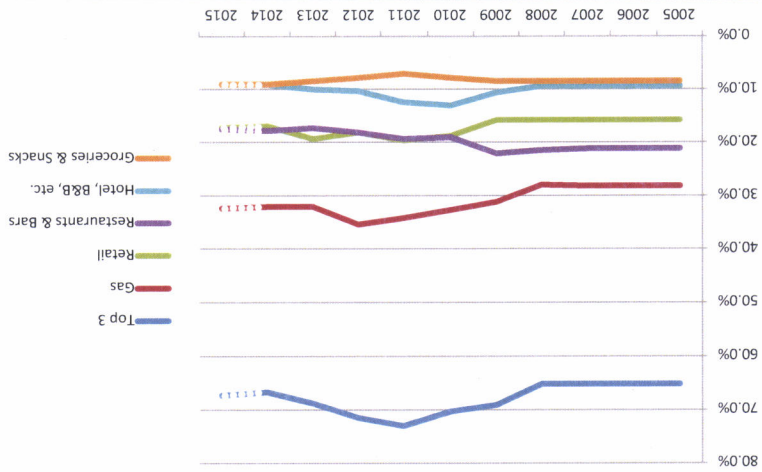
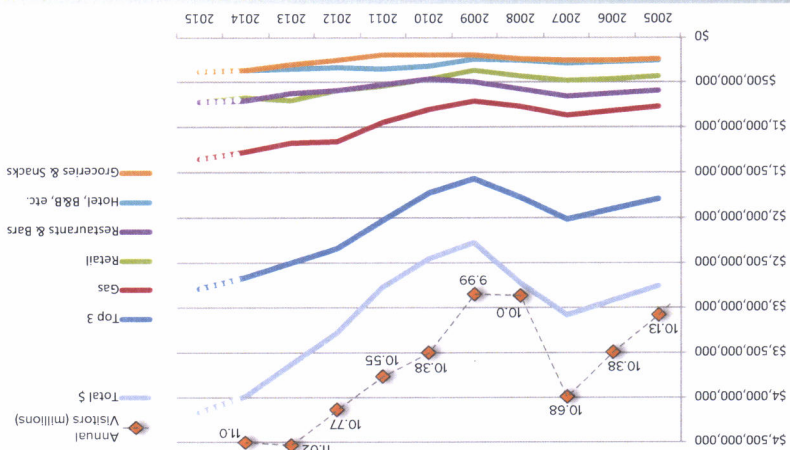
Contact Mike Garcia, mike@voicesoftourism.com, at 406-431-7814

TRENDS IN MONTANA TOURISM

- Total non-resident spending has increased by **over 52%**
 - Total visitors have increased by **less than 6%**
- Total non-resident spending will likely exceed **\$4 billion** in 2015

Since 2005, **Gas, Retail and Restaurants & Bars**:-
 - Have been the **Top 3** non-resident expenses
 - Together account for **nearly 70%** of all non-resident spending annually

- Hotels, B&B and similar accommodations: Accounted for **less than one-tenth** of all non-resident spending in 2014
- Will likely be **exceeded** by Groceries & Snacks as the #4 expense for non-residents in 2015



2012-2013 Estimate of Nonresident Traveler Spending per County



- These 24 counties account for **95%** of all non-resident spending
- The top 3 counties alone account for **nearly 45%**

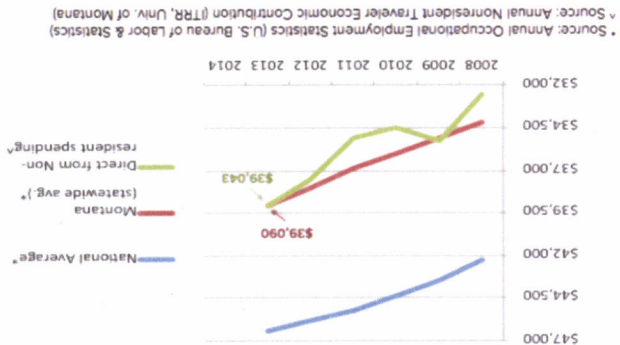
This graph reproduced with permission from the Institute for Tourism and Recreation Research

VOICES OF MONTANA TOURISM
 JOBS. COMMUNITY. ECONOMY

P.O. BOX 1272, Helena, MT 59624
 406.431.7814

W VoicesOfMontanaTourism.com
 f VoicesOfMontanaTourism
 t @VoicesOfTourism

2008-2013: Average Annual Wages



- Jobs directly supported by non-resident spending have produced an average annual wage that:
- Has been **< 5%** below the state's average annual wage since 2008
- Has been **< 1.5%** below the state's average annual wage in 2012 & 2013
- In 2013, exceeded the average annual wage of **more than half** of all major occupational categories in Montana

"Best Place First" – Senate Bill 264

The Last Best Place. This term has become synonymous with Montana and indicative of why we Montanans live here. It is true- there is no other place like home. And people the world over wish to experience the beauty, culture and hospitality that the Last Best Place provides. That is why we have SB 264 before us today.

I am a hotel manager in Bozeman. I am also President of the Bozeman/Belgrade Lodging Association representing over 30 properties and am the Treasurer for the Montana Lodging & Hospitality Association. I am a reflection of not only the people and businesses of Bozeman, Gallatin County and SW Montana but for tourism partners from across our Great State.

One reason why so many non-residents know of Montana is due to our natural surroundings and the cultural and historical sites that abound. But a significant reason people "really know" of Montana is in large part due to the marketing that attracts people here. Once here, those same natural surroundings and cultural heritage as well as the personable, local hospitality make it even more desirous to return.

Senate Bill 264 is a broad-based effort by individual tourism partners within Montana to solidify not only the benefits Montana currently experiences, but to ensure and preserve these for future generations of residents and non-residents alike.

Nearly 11 million non-residents spent \$3.98 BILLION in Montana last year; a 10% increase over 2013. This non-resident spending provided local and state tax relief to Montanans to the sum of \$270 MILLION in 2014; a 17% increase over 2013.

Montanans have benefitted greatly by the impact tourism has had on employment. Since 2013, tourism employment has increased by more than 15%. Almost 39% of the afore-mentioned \$3.98 BILLION spent by non-residents contributes directly to Montana wages, compensation and other income.

Senate Bill 264 (The Best Place First bill) will assist our entire tourism industry in responsible growth and more importantly help more than ever to preserve Montana's cultural, historical and recreational heritages.

The 60% of the Accommodations and Rental Vehicle Sales and Use Tax requested by this BILL will provide for a broader scope of commitment than ever before seen for Montana tourism.

The tourism partners to benefit from Bill 264 are MT State Parks, MT Historical Society, MT Heritage Commission, MT Arts Council and numerous heritage and historical properties Statewide. These entities will receive 30% of the appropriated funds. The other 30% would not only be utilized by Tourism Regions and Visitors Bureaus but would allot \$5.4 MILLION to the MT Office of Tourism to carry forward a very competitive marketing campaign. The remaining 40% of the Accommodations and Rental Vehicle Sales and Use Tax would go directly to the state's General Fund.

We can look at Montana's tourism industry, which is the State's 2nd leading export in terms of dollars, in a circular manner. The more non-residents that are attracted will allow more revenue to be collected for Tourism, its partners AND the State's General Fund. But more importantly it allows for us as Montanans to build a stronger economy for us and future generations to come.

From Heritage sites in the Flathead to Virginia and Nevada cities in SW Montana. From Native American cultural sites along the Hi-Line to Historical sites in Yellowstone Country.

From Tourism Regions to Visitor Bureaus and State Parks all across Montana; the "Best Place First" Senate Bill 264 will help ensure that Montana stays the "Last Best Place" for future generations to experience.